C. DUKES SCOTT
EXECUTIVE DIRECTOR

DAN F. ARNETT
CHIEF OF STAFF

P.O. Box 11263
Columbia, S.C. 29211

Phone: (803) 737-0800
Fax: (803) 737-0801

June 22, 2005

Charles L. A. Terreni, Esquire
Chief Clerk and Administrator
Public Service Commission of South Carolina
Post Office Box 11649
Columbia, South Carolina 29211

Re: Duke Power Allowable Ex Parte Communication Briefing
on June 20, 2005

Dear Mr. Terreni:

Pursuant to the provisions of Section 58-3-260 of the S.C. Code of Laws and as Mr. Scott's designee, I am attaching my certified statement with copies of the statements from all persons present at the June 20, 2005 briefing (see sign-in sheet also attached).

Additionally, you will find a copy of the materials distributed by Duke Power at the meeting as well as a copy of the verbatim transcript of the briefing. It is my understanding that the transcript of the briefing is posted on your website, and this transcript is incorporated by reference in all of the certified statements.

As required by law, please post all of the documents relating to this briefing on your website.

Thank you for your assistance.

Sincerely,

Debbie Hammond

Debbie Hammond
Executive Assistant

Attachments

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(ORS Executive Director or Designee)

THIS CERTIFICATION IS TO:

- BE SIGNED BY EXECUTIVE DIRECTOR OR HIS DESIGNEE, AND
- BE FILED WITH THE CHIEF CLERK OF THE PUBLIC SERVICE COMMISSION **WITHIN SEVENTY-TWO HOURS** OF THIS BRIEFING.

Name: Debbie Hammond	Date of Meeting: June 20, 2005
ORS Position Title: Executive Assistant	Matter: Duke Power Allowable Ex Parte Briefing
	Docket No.: Pursuant to June 9, 2005 Notice of William F. Austin and Richard L. Whitt, Attorneys for Duke Power

By signing this Certification, I certify that:

1. The briefing was conducted in compliance with the provisions of S.C. Code Ann. §58-3-260(C)(6).

2. EACH PERSON present at the briefing complied with the reporting and certification requirements of (ii), (iii), and (iv) within 48 hours after the briefing.

    a. The subsection (ii) and (iii) requirements are that EACH ATTENDEE INCLUDING EACH COMMISSIONER AND EACH COMMISSION EMPLOYEE is to file a certification with ORS:

        i. That accurately summarizes the discussions occurring during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

        ii. With copies attached of any written materials utilized, referenced, or distributed during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

        iii. That no commitment, predetermination, or prediction of any Commissioner's action as to any ultimate or penultimate issue or any Commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or

party nor any commitment, predetermination, or prediction was given by any Commissioner or Commission employee as to any Commission action or Commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

b. The subsection (iv) requirement is that EACH COMMISSIONER AND EACH COMMISSION EMPLOYEE present at the briefing file a certification that they will comply with State law requiring them to grant to every other party or person requesting an allowable ex parte communication briefing on the same or similar matter that is or can reasonably be expected to become an issue in a proceeding, similar access and a reasonable opportunity to communicate, directly or indirectly, regarding any fact, law, or other matter that is or can reasonably be expected to become an issue in a proceeding under the provisions of subsection S.C. Code Ann. §58-3-260(C)(6). [S.C. Code Ann. §58-3-260(C)(6)(a)(iv)]

3. Copies of all certified statements and all other matters filed with ORS by briefing attendees pursuant to(C)(6)(a)(ii), (iii), and (iv) are attached to this certification.

4. Persons and matters not in compliance with S.C. Code Ann. §58-3-260(C)(6) are listed in the lines below or on an attached sheet. If a sheet is attached, it is noted as being attached on the lines below. I further certify that if the lines are blank that all attendees or matters for this briefing are in compliance.

This concludes my Certified Statement.

Debbie Hammond

Signature of Office of Regulatory Staff
Executive Director or Designee

Date: June 22, 2005

Allowable *Ex Parte* Communication Briefing
Duke Power, a Division of Duke Energy Corporation

to discuss Broadband Over Power Lines (BPL), also known as Power Line Communications, using existing electric distribution lines to create a last-mile broadband communications network.

Public Service Commission of South Carolina Hearing Room
Synergy Business Park
101 Executive Center Drive
Columbia, South Carolina 29210

Monday, June 20, 2005

(PLEASE PRINT)

NAME	ADDRESS	ORGANIZATION
DEBBIE HAMMOND		ORS
Lara S. Nichols	~~422~~ 526 S. Church St Charlotte, NC	Duke Power
Rose B. Cummings	526 S. Church St. 28202 Charlotte, NC 28202	Duke Power
Janice Hager	422 S Church St Charlotte NC	Duke Power
Jana McManaus	422. S church St Charlotte NC	Duke Power
Richard Wirtt	ALN 00LPX	ALN
Amber Landsman	1301 Gervais St 025 Cola	Verizon
ROBERT GERARDI	9615 ST. BARTS LN, CHARLOTTE	DUKE POWER
DOUGLAS PRATT	101 EXECUTIVE CTR DR	PSC
Dale Dawes		PSC
David Butler	101 Executive Ctr. Dr.	PSC
Charlie Terreni	" " "	PSC
Jocelyn Boyd	"	PSC
Commissioners (7)	"	"
Joseph Melchers		"

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(Commissioner/Commission Employee)

THIS CERTIFICATION IS TO:

- BE SIGNED AND COMPLETED BY **EACH** COMMISSIONER AND PUBLIC SERVICE COMMISSION EMPLOYEES ATTENDING THE BRIEFING, AND
- BE FILED WITH THE OFFICE OF REGULATORY STAFF [1441 MAIN STREET, COLUMBIA, SOUTH CAROLINA 29201] **WITHIN FORTY-EIGHT HOURS** OF THIS BRIEFING.

Name:	Date of Meeting:
CHARLIE TERRENI	6-20-05
PSC Position Title:	Matter:
Chief Admin.	Date Presentation BPL
	Docket No.:

By signing this Certification, I certify that:

1. No commitment, predetermination, or prediction of any Commissioner's action as to any ultimate or penultimate issue or any Commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or party nor any commitment, predetermination, or prediction was given by any Commissioner or Commission employee as to any Commission action or Commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

2. I have accurately summarized the discussions occurring during the briefing in full either in the space below or on an attached sheet. If a sheet is attached, it is noted as being attached on the lines below. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

see attached

3. I have attached copies of any written materials utilized, referenced, or distributed during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

4. I will comply with State law requiring me to grant to every other party or person requesting an allowable ex parte communication briefing on the same or similar matter that is or can reasonably be expected to become an issue in a proceeding, similar access and a reasonable opportunity to communicate, directly or indirectly, regarding any fact, law, or other matter that is or can reasonably be expected to become an issue in a proceeding under the provisions of subsection S.C. Code Ann. §58-3-260(C)(6). [S.C. Code Ann. §58-3-260(C)(6)(a)(iv)]

This concludes my ~~Certified~~ Statement.

Signature of South Carolina Public Service Commissioner or ~~Commission~~ Employee

Date: 6/20/05

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(Commissioner/Commission Employee)

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- BE SIGNED AND COMPLETED BY **EACH** COMMISSIONER AND PUBLIC SERVICE COMMISSION EMPLOYEES ATTENDING THE BRIEFING, AND
- BE FILED WITH THE OFFICE OF REGULATORY STAFF [1441 MAIN STREET, COLUMBIA, SOUTH CAROLINA 29201] **WITHIN FORTY-EIGHT HOURS** OF THIS BRIEFING.

Name: Joseph Melchers	Date of Meeting: 6/20/05
PSC Position Title: Chief Counsel	Matter: BPL
	Docket No.:

By signing this Certification, I certify that:

1. No commitment, predetermination, or prediction of any Commissioner's action as to any ultimate or penultimate issue or any Commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or party nor any commitment, predetermination, or prediction was given by any Commissioner or Commission employee as to any Commission action or Commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

2. I have accurately summarized the discussions occurring during the briefing in full either in the space below or on an attached sheet. If a sheet is attached, it is noted as being attached on the lines below. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

See transcripts

3. I have attached copies of any written materials utilized, referenced, or distributed during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

4. I will comply with State law requiring me to grant to every other party or person requesting an allowable ex parte communication briefing on the same or similar matter that is or can reasonably be expected to become an issue in a proceeding, similar access and a reasonable opportunity to communicate, directly or indirectly, regarding any fact, law, or other matter that is or can reasonably be expected to become an issue in a proceeding under the provisions of subsection S.C. Code Ann. §58-3-260(C)(6). [S.C. Code Ann. §58-3-260(C)(6)(a)(iv)]

This concludes my Certified Statement.

Signature of South Carolina Public Service Commissioner or Commission Employee

Date: 6/20/05

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(Commissioner/Commission Employee)

THIS CERTIFICATION IS TO:

- BE SIGNED AND COMPLETED BY **EACH** COMMISSIONER AND PUBLIC SERVICE COMMISSION EMPLOYEES ATTENDING THE BRIEFING, AND
- BE FILED WITH THE OFFICE OF REGULATORY STAFF [1441 MAIN STREET, COLUMBIA, SOUTH CAROLINA 29201] **WITHIN FORTY-EIGHT HOURS** OF THIS BRIEFING.

Name: F. David Butler	Date of Meeting: June 20, 2005
PSC Position Title:	Matter: Broadband Over Power Lines
	Docket No.:

By signing this Certification, I certify that:

1. No commitment, predetermination, or prediction of any Commissioner's action as to any ultimate or penultimate issue or any Commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or party nor any commitment, predetermination, or prediction was given by any Commissioner or Commission employee as to any Commission action or Commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

2. I have accurately summarized the discussions occurring during the briefing in full either in the space below or on an attached sheet. If a sheet is attached, it is noted as being attached on the lines below. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

See Transcript and Attachment

3. I have attached copies of any written materials utilized, referenced, or distributed during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

4. I will comply with State law requiring me to grant to every other party or person requesting an allowable ex parte communication briefing on the same or similar matter that is or can reasonably be expected to become an issue in a proceeding, similar access and a reasonable opportunity to communicate, directly or indirectly, regarding any fact, law, or other matter that is or can reasonably be expected to become an issue in a proceeding under the provisions of subsection S.C. Code Ann. §58-3-260(C)(6). [S.C. Code Ann. §58-3-260(C)(6)(a)(iv)]

This concludes my Certified Statement.

Signature of South Carolina Public Service Commissioner or Commission Employee

Date: 6-20-15

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(Commissioner/Commission Employee)

THIS CERTIFICATION IS TO:

- BE SIGNED AND COMPLETED BY **EACH** COMMISSIONER AND PUBLIC SERVICE COMMISSION EMPLOYEES ATTENDING THE BRIEFING, AND
- BE FILED WITH THE OFFICE OF REGULATORY STAFF [1441 MAIN STREET, COLUMBIA, SOUTH CAROLINA 29201] **WITHIN FORTY-EIGHT HOURS** OF THIS BRIEFING.

Name: DOUGLAS K. PRATT	Date of Meeting: 6/20/05
PSC Position Title: ENGINEER IV TELECOMMUNICATIONS ADVISOR	Matter: DUKE POWER BPL BRIEFING
	Docket No.:

By signing this Certification, I certify that:

1. No commitment, predetermination, or prediction of any Commissioner's action as to any ultimate or penultimate issue or any Commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or party nor any commitment, predetermination, or prediction was given by any Commissioner or Commission employee as to any Commission action or Commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

2. I have accurately summarized the discussions occurring during the briefing in full either in the space below or on an attached sheet. If a sheet is attached, it is noted as being attached on the lines below. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

See transcript and attachment

3. I have attached copies of any written materials utilized, referenced, or distributed during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

4. I will comply with State law requiring me to grant to every other party or person requesting an allowable ex parte communication briefing on the same or similar matter that is or can reasonably be expected to become an issue in a proceeding, similar access and a reasonable opportunity to communicate, directly or indirectly, regarding any fact, law, or other matter that is or can reasonably be expected to become an issue in a proceeding under the provisions of subsection S.C. Code Ann. §58-3-260(C)(6). [S.C. Code Ann. §58-3-260(C)(6)(a)(iv)]

This concludes my Certified Statement.

Signature of South Carolina Public Service Commissioner or Commission Employee

Date: 6/20/05

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(Commissioner/Commission Employee)

THIS CERTIFICATION IS TO:

- BE SIGNED AND COMPLETED BY **EACH** COMMISSIONER AND PUBLIC SERVICE COMMISSION EMPLOYEES ATTENDING THE BRIEFING, AND
- BE FILED WITH THE OFFICE OF REGULATORY STAFF [1441 MAIN STREET, COLUMBIA, SOUTH CAROLINA 29201] **WITHIN FORTY-EIGHT HOURS** OF THIS BRIEFING.

Name: Dale Davis	Date of Meeting: 6-20-05
PSC Position Title: Administrative Assistant	Matter: Ex parte Briefing / Docket/Broadband
	Docket No.:

By signing this Certification, I certify that:

1. No commitment, predetermination, or prediction of any Commissioner's action as to any ultimate or penultimate issue or any Commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or party nor any commitment, predetermination, or prediction was given by any Commissioner or Commission employee as to any Commission action or Commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

2. I have accurately summarized the discussions occurring during the briefing in full either in the space below or on an attached sheet. If a sheet is attached, it is noted as being attached on the lines below. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

See Transcript + Attachment

3. I have attached copies of any written materials utilized, referenced, or distributed during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

4. I will comply with State law requiring me to grant to every other party or person requesting an allowable ex parte communication briefing on the same or similar matter that is or can reasonably be expected to become an issue in a proceeding, similar access and a reasonable opportunity to communicate, directly or indirectly, regarding any fact, law, or other matter that is or can reasonably be expected to become an issue in a proceeding under the provisions of subsection S.C. Code Ann. §58-3-260(C)(6). [S.C. Code Ann. §58-3-260(C)(6)(a)(iv)]

This concludes my Certified Statement.

Signature of South Carolina Public Service Commissioner or Commission Employee

Date: 4-20-05

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(Commissioner/Commission Employee)

THIS CERTIFICATION IS TO:

- BE SIGNED AND COMPLETED BY **EACH** COMMISSIONER AND PUBLIC SERVICE COMMISSION EMPLOYEES ATTENDING THE BRIEFING, AND
- BE FILED WITH THE OFFICE OF REGULATORY STAFF [1441 MAIN STREET, COLUMBIA, SOUTH CAROLINA 29201] **WITHIN FORTY-EIGHT HOURS** OF THIS BRIEFING.

Name: Jocelyn Boyd	Date of Meeting: June 21, 2005
PSC Position Title: Deputy Clerk	Matter: Duke Power BPL
	Docket No.:

By signing this Certification, I certify that:

1. No commitment, predetermination, or prediction of any Commissioner's action as to any ultimate or penultimate issue or any Commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or party nor any commitment, predetermination, or prediction was given by any Commissioner or Commission employee as to any Commission action or Commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

2. I have accurately summarized the discussions occurring during the briefing in full either in the space below or on an attached sheet. If a sheet is attached, it is noted as being attached on the lines below. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

See transcript and attachments.

3. I have attached copies of any written materials utilized, referenced, or distributed during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

4. I will comply with State law requiring me to grant to every other party or person requesting an allowable *ex parte communication* briefing on the same or similar matter that is or can reasonably be expected to become an issue in a proceeding, similar access and a reasonable opportunity to communicate, directly or indirectly, regarding any fact, law, or other matter that is or can reasonably be expected to become an issue in a proceeding under the provisions of subsection S.C. Code Ann. §58-3-260(C)(6). [S.C. Code Ann. §58-3-260(C)(6)(a)(iv)]

This concludes my Certified Statement.

Jocelyn Boyd

Signature of South Carolina Public Service Commissioner or Commission Employee

Date: June 21, 2005

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(Commissioner/Commission Employee)

THIS CERTIFICATION IS TO:

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- BE FILED WITH THE OFFICE OF REGULATORY STAFF [1441 MAIN STREET, COLUMBIA, SOUTH CAROLINA 29201] **WITHIN FORTY-EIGHT HOURS** OF THIS BRIEFING.

Name: Randy Mitchell	Date of Meeting: 6/20/05
PSC Position Title: P.S.C. Chairman	Matter: Duke Power BPL
	Docket No.:

By signing this Certification, I certify that:

1. No commitment, predetermination, or prediction of any Commissioner's action as to any ultimate or penultimate issue or any Commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or party nor any commitment, predetermination, or prediction was given by any Commissioner or Commission employee as to any Commission action or Commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

2. I have accurately summarized the discussions occurring during the briefing in full either in the space below or on an attached sheet. If a sheet is attached, it is noted as being attached on the lines below. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

See transcript and attached document.

3. I have attached copies of any written materials utilized, referenced, or distributed during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

4. I will comply with State law requiring me to grant to every other party or person requesting an allowable ex parte communication briefing on the same or similar matter that is or can reasonably be expected to become an issue in a proceeding, similar access and a reasonable opportunity to communicate, directly or indirectly, regarding any fact, law, or other matter that is or can reasonably be expected to become an issue in a proceeding under the provisions of subsection S.C. Code Ann. §58-3-260(C)(6). [S.C. Code Ann. §58-3-260(C)(6)(a)(iv)]

This concludes my Certified Statement.

Randy Mitchell

Signature of South Carolina Public Service Commissioner or Commission Employee

Date: 6/20/05

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(Commissioner/Commission Employee)

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- BE FILED WITH THE OFFICE OF REGULATORY STAFF [1441 MAIN STREET, COLUMBIA, SOUTH CAROLINA 29201] **WITHIN FORTY-EIGHT HOURS** OF THIS BRIEFING.

Name: G. O'Neal Hamilton	Date of Meeting: 6-20-05
PSC Position Title: Commissioner	Matter: Broad Band over Power Lines
	Docket No.:

By signing this Certification, I certify that:

1. No commitment, predetermination, or prediction of any commissioner's action as to any ultimate or penultimate issue or any commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or party nor any commitment, predetermination, or prediction was given by any commissioner or commission employee as to any commission action or commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

2. I have accurately summarized the discussions occurring during the briefing in full either in the space below or on an attached sheet. If a sheet is attached, it is noted as being attached on the lines below. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

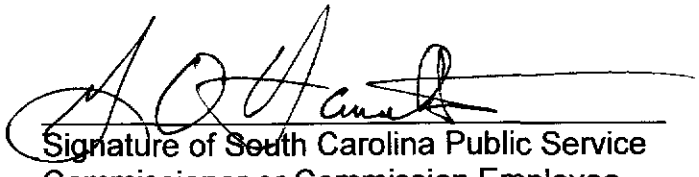
See transcript and attached document.

3. I have attached copies of any written materials utilized, referenced, or distributed during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

4. I will comply with State law requiring me to grant to every other party or person requesting an allowable ex parte communication briefing on the same or similar matter

that is or can reasonably be expected to become an issue in a proceeding, similar access and a reasonable opportunity to communicate, directly or indirectly, regarding any fact, law, or other matter that is or can reasonably be expected to become an issue in a proceeding under the provisions of subsection S.C. Code Ann. §58-3-260(C)(6). [S.C. Code Ann. §58-3-260(C)(6)(a)(iv)]

This concludes my Certified Statement.



Signature of South Carolina Public Service Commissioner or Commission Employee

Date: 6-20-05

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(Commissioner/Commission Employee)

THIS CERTIFICATION IS TO:

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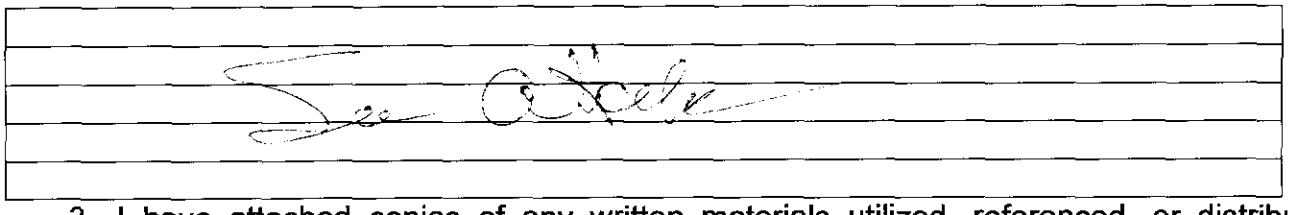
- BE FILED WITH THE OFFICE OF REGULATORY STAFF [1441 MAIN STREET, COLUMBIA, SOUTH CAROLINA 29201] **WITHIN FORTY-EIGHT HOURS** OF THIS BRIEFING.

Name: Frank R Mosley	Date of Meeting: 6.2005
PSC Position Title: Commr	Matter: Duke Price Docket No.:

By signing this Certification, I certify that:

1. No commitment, predetermination, or prediction of any commissioner's action as to any ultimate or penultimate issue or any commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or party nor any commitment, predetermination, or prediction was given by any commissioner or commission employee as to any commission action or commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

2. I have accurately summarized the discussions occurring during the briefing in full either in the space below or on an attached sheet. If a sheet is attached, it is noted as being attached on the lines below. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]



3. I have attached copies of any written materials utilized, referenced, or distributed during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

4. I will comply with State law requiring me to grant to every other party or person requesting an allowable ex parte communication briefing on the same or similar matter

that is or can reasonably be expected to become an issue in a proceeding, similar access and a reasonable opportunity to communicate, directly or indirectly, regarding any fact, law, or other matter that is or can reasonably be expected to become an issue in a proceeding under the provisions of subsection S.C. Code Ann. §58-3-260(C)(6). [S.C. Code Ann. §58-3-260(C)(6)(a)(iv)]

This concludes my Certified Statement.

Signature of South Carolina Public Service Commissioner or Commission Employee

Date: 6-20-05

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(Commissioner/Commission Employee)

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- BE FILED WITH THE OFFICE OF REGULATORY STAFF [1441 MAIN STREET, COLUMBIA, SOUTH CAROLINA 29201] **WITHIN FORTY-EIGHT HOURS** OF THIS BRIEFING.

Name: JOHN "BUTCH" HOWARD	Date of Meeting: 6/20/05
PSC Position Title: COMMISSIONER	Matter: BPC DUKE PRESENTATION
	Docket No.:

By signing this Certification, I certify that:

1. No commitment, predetermination, or prediction of any commissioner's action as to any ultimate or penultimate issue or any commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or party nor any commitment, predetermination, or prediction was given by any commissioner or commission employee as to any commission action or commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

2. I have accurately summarized the discussions occurring during the briefing in full either in the space below or on an attached sheet. If a sheet is attached, it is noted as being attached on the lines below. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

See attached minutes

3. I have attached copies of any written materials utilized, referenced, or distributed during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

4. I will comply with State law requiring me to grant to every other party or person requesting an allowable ex parte communication briefing on the same or similar matter

that is or can reasonably be expected to become an issue in a proceeding, similar access and a reasonable opportunity to communicate, directly or indirectly, regarding any fact, law, or other matter that is or can reasonably be expected to become an issue in a proceeding under the provisions of subsection S.C. Code Ann. §58-3-260(C)(6). [S.C. Code Ann. §58-3-260(C)(6)(a)(iv)]

This concludes my Certified Statement.

Signature of South Carolina Public Service Commissioner or Commission Employee

Date: 6/20/05

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(Commissioner/Commission Employee)

THIS CERTIFICATION IS TO:

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- BE FILED WITH THE OFFICE OF REGULATORY STAFF [1441 MAIN STREET, COLUMBIA, SOUTH CAROLINA 29201] **WITHIN FORTY-EIGHT HOURS** OF THIS BRIEFING.

Name: Elizabeth B. Fleming	Date of Meeting: 6.20.05
PSC Position Title: Commissioner Dist. 4	Matter: Duke Power BPL
	Docket No.:

By signing this Certification, I certify that:

1. No commitment, predetermination, or prediction of any commissioner's action as to any ultimate or penultimate issue or any commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or party nor any commitment, predetermination, or prediction was given by any commissioner or commission employee as to any commission action or commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

2. I have accurately summarized the discussions occurring during the briefing in full either in the space below or on an attached sheet. If a sheet is attached, it is noted as being attached on the lines below. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

See transcript and attachment.

3. I have attached copies of any written materials utilized, referenced, or distributed during the briefing. [S.C. Code Ann. §58-3-260(C)(6)(a)(ii)]

4. I will comply with State law requiring me to grant to every other party or person requesting an allowable ex parte communication briefing on the same or similar matter

that is or can reasonably be expected to become an issue in a proceeding, similar access and a reasonable opportunity to communicate, directly or indirectly, regarding any fact, law, or other matter that is or can reasonably be expected to become an issue in a proceeding under the provisions of subsection S.C. Code Ann. §58-3-260(C)(6). [S.C. Code Ann. §58-3-260(C)(6)(a)(iv)]

This concludes my Certified Statement.

Elizabeth B. Clemens

Signature of South Carolina Public Service Commissioner or Commission Employee

Date: 6·20·05

ALLOWABLE EX PARTE COMMUNICATION BRIEFING
CERTIFIED STATEMENT
(Commissioner/Commission Employee)

THIS CERTIFICATION IS TO:

- BE SIGNED AND COMPLETED BY **EACH** COMMISSIONER AND PUBLIC SERVICE COMMISSION EMPLOYEES ATTENDING THE BRIEFING, AND

- BE FILED WITH THE OFFICE OF REGULATORY STAFF [1441 MAIN STREET, COLUMBIA, SOUTH CAROLINA 29201] **WITHIN FORTY-EIGHT HOURS** OF THIS BRIEFING.

Name:	Date of Meeting:
Mignon Clyburn	June 20, 2005
PSC Position Title:	Matter:
Commissioner	Duke BPL Presentation
	Docket No.:

By signing this Certification, I certify that:

1. No commitment, predetermination, or prediction of any commissioner's action as to any ultimate or penultimate issue or any commission employee's opinion or recommendation as to any ultimate or penultimate issue in any proceeding was requested by any person or party nor any commitment, predetermination, or prediction was given by any commissioner or commission employee as to any commission action or commission employee opinion or recommendation on any ultimate or penultimate issue. [S.C. Code Ann. §58-3-260(C)(6)(a)(iii)]

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See attached minutes

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This concludes my Certified Statement.

Signature of South Carolina Public Service Commissioner or Commission Employee

Date: Jan 24, 2005

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Name: David A. Wright	Date of Meeting: 6/20/05
PSC Position Title: Commissioner	Matter: Broadband over Power Lines Presentation / DUKE POWER
	Docket No.:

By signing this Certification, I certify that:

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Signature of South Carolina Public Service Commissioner or Commission Employee

Date: 6/20/05

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Name: Lara S. Nichols	Date of Meeting: June 20, 2005
Occupation: Attorney	Matter: Broadband Over Powerlines Presentation
Attending on behalf of/for: Duke Power	Docket No.: N/A

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Please see attached transcript.

3. I have attached copies of any written materials utilized, referenced, or distributed during the briefing. [§68-3-260(C)(6)(a)(ii)]

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Signature of Briefing Attendee

Date: 6.21.2005

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Name: ROBERT GERARDI	Date of Meeting: 6/20/2005
Occupation: ENGINEER	Matter: DUKE POWER BPL
Attending on behalf of/for: DUKE POWER	Docket No.: N/A

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SEE ATTACHED TRANSCRIPT

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Name: Janice D Hager	Date of Meeting: 6-20-05
Occupation: VP, Rates + Reg Affairs, Duke Power	Matter: Broadband over Powerline Presentation
Attending on behalf of/for: Duke Power	Docket No.: N/A

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Name: Rose B. Cummings	Date of Meeting: 06/20/05
Occupation: Public Affairs - Duke Power	Matter: Broadband over Powerlines presentation
Attending on behalf of/for: Duke Power	Docket No.: N/A

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see attached transcript

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Rose B. Cummings
Signature of Briefing Attendee

Date: 06/21/05

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Name: Jane L McManus	Date of Meeting: 3/22/16
Occupation: Dir. Rate Design and Analysis, Duke Power	Matter: Biennial Cost Recovery Proceeding
Attending on behalf of/for: Duke Power	Docket No.: N/A

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Date: 6/21/23

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Name: RICHARD L. WHITT	Date of Meeting: 6-20-05
Occupation: ATTORNEY FOR DUKE POWER	Matter: "BROAD BAND OVER POWERLINES"
Attending on behalf of/for:	Docket No.:

By signing this Certification, I certify that:

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This concludes my Certified Statement.

R A J Whitt

Signature of Briefing Attendee

Date: 6-21-05

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Name:	Date of Meeting:
AMBER LANDSMAN	6/20/05
Occupation:	Matter:
Regulatory - Specialist	Broadband over Power Lines
Attending on behalf of/for:	Docket No.:
VERIZON Communications	

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See attached transcript

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This concludes my Certified Statement.

James L. Landsman
Signature of Briefing Attendee

Date: 6/21/05

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

COLUMBIA, SOUTH CAROLINA

Allowable *Ex Parte* Communication Briefing JUNE 20, 2005 10:00 A.M.

DUKE POWER, a Division of Duke Energy Corporation — *Allowable Ex Parte Communication Briefing to Discuss Broadband Over Power Lines, (BPL), also known as Powerline Communications, using existing electric distribution lines to create a last-mile broadband communications network.*

BRIEFING BEFORE: Randy MITCHELL, CHAIRMAN, G. O'Neal HAMILTON, VICE CHAIRMAN; and COMMISSIONERS John E. "Butch" HOWARD, David A. WRIGHT, Elizabeth B. "Lib" FLEMING, Mignon L. CLYBURN, and C. Robert MOSELEY.

STAFF: Douglas Pratt, David Butler, Charlie Terreni, Jocelyn Boyd, Dale Davis.

APPEARANCES: **Debbie Hammond, Office of Regulatory Staff**

Duke Power Participants:

Richard Whitt, Attorney at Law
Austin, Lewis & Rogers, P.A.
PO Box 11716
Columbia SC 29211

ORIGINAL

Robert Gerardi, Program Manager
Duke Power, Powerline Communications
ECO1R
PO Box 1006
Charlotte, NC 28201

Lara Nichols, Duke Power
Rose B. Cummings, Duke Power
Janice Hager, Duke Power
Jane McManeus, Duke Power

TRANSCRIPT OF TESTIMONY AND PROCEEDINGS

VOLUME 1 of 1

CHAIRMAN MITCHELL: Thank you. Be seated please. All right. I will call this special presentation to order at this time. And who will be in charge? Mr. Whitt, are you going to be in charge?

MR. WHITT: Mr. Gerardi will be in charge of it. I've got some opening remarks.

CHAIRMAN MITCHELL: Certainly.

MR. WHITT: Bob Gerardi will be your presenter today. And I want to introduce you to some other folks from Duke Power, Lara Nichols, of course you all know.

CHAIRMAN MITCHELL: Right.

MR. WHITT: Janice Hager, Jane McManeus and Rose Cummings you'll probably be meeting for the first time today. And we want to thank you for the opportunity to give the briefing before the Commission and we want to thank Debbie Hammond from ORS for coming over. And some of it, things will go smoothly. We are under Act 175 and there are some kind of strange constraints of that act that we want to kind of cover as we go through.

CHAIRMAN MITCHELL: That's not new.

MR. WHITT: Yes. The subject is broadband over power lines. And Mr. Gerardi is here to give you information on it. We would love for you to ask questions and talk back and forth with him. And as you said last time, Mr. Chairman, we can be informal as far as all the presentation is concerned.

CHAIRMAN MITCHELL: Yes, sir.

MR. WHITT: We appreciate that. And the folks in the audience, if they can help on some of the questions they would be glad to do so. We just want you to have the information.

CHAIRMAN MITCHELL: Great. Thank you.

MR. WHITT: The other thing that we do want to talk about, though, is the scope is broadband over power lines. And unfortunately we need to stay on that topic alone. And the other thing is that we're not here soliciting your approval today of this matter or anything to do with the approval, so in the conversation we're having back and forth with you we're not looking to see if you think this is a good idea or if this would work or voting in for approval, but

it's just opposite. It's simply about broadband over the power lines. So we appreciate the opportunity to be here. Mr. Gerardi?

PRESENTATION BY MR. GERARDI:

Good morning. My name is Bob Gerardi. I run the powerline communications program for Duke Power, and I appreciate the opportunity to come and talk to you this morning about what we're doing with broadband over power lines. Just a little bit of vernacular to begin with. In my presentation today you will hear me talk about both broadband over power lines, BPL, and powerline communications, or PLC.

For purposes of this presentation when I'm referring to broadband power lines, that is really referring to a retail high speed internet type of service very analogous to DSL through the subscriber lines. When you hear me talk about powerline communications, we're really talking about a network technology.

So I wanted to make that clear at the beginning. What I thought I would do today in the brief time we have together is first explain to you what is involved with providing broadband power line service and what are the components of a powerline communications network. We will then look what's happening out there in the industry, what are the key drivers behind this technology and opportunity. We will talk about the basic process

that Duke Power is following to realize this opportunity. We will highlight some of the key elements of our powerline communications strategy. We will look back at some of the accomplishments from last year, and we will outline the plans for 2005.

When looking at providing broadband powerline service, there is really six key components that make that happen. The first component of that is actually connection to the internet. And that can be done in a variety of ways. The way that we do it is through a connection that is what is called a point of presence or POP facility. So that's where we have a service provider partner. In other cases of the utilities we are pursuing different models which simply get IT grain or content at that location. But at that point we connect to the internet.

We then use existing fiber optic transport to transport that connection out to the distribution grid or the neighborhood where we plan to provide that service. You may have heard of fiber to the home, fiber to the access, this is really fiber to the neighborhood for deployment.

Once we get into the neighborhood that we plan to serve we then couple that signal onto the existing medium-voltage distribution system. And Duke's distribution system, medium voltage is referred to as 12 kilobolts and 24 KB and that system out of the substation. So we use that as the main

backbone for providing transport throughout the community. That is - at that point it is converted from fiber over to Ethernet and is physically coupled right onto the existing wires that provides power to that community. That is done through an inducted or a capacity coupler, and we'll show you some pictures of that in just a minute. So that signal is then repeated or regenerated as necessary as it goes down the medium-voltage line. Once we get the the customer premise we need to get on the local side, which is the 240-volt side on the other side of the transformer, and that is done by bypassing the transformer through a coupler.

Once it's on the low-voltage side of that transformer, all the customers that are fed off that transformer are enabled for service and the customer would actually receive the signal directly from any outlet in their home. We provide them a modem that they plug directly into the outlet. The other connection goes into their PC and they are up and running with that connection. It truly is plug and play.

I should say at any time feel free to interrupt me if you have any questions. But that retail service of broadband powerline is just one component of what Duke is really interested in in developing the powerline communications network.

This diagram is intended to show that on a joint used PLT network that it's used for both retail and utility use. There

are those common elements that we just talked about, which is the backbone and backhaul components of the fiber, but there is also some specific end components for - specifically for utility use and some that are specifically for retail use. This diagram here is intended to show you just a couple of examples of that. If you look at items three and four on this chart you will see that those are examples and applications that would be used by the utility, whether they are an IP-based meter that's at a commercial customer site or their equipment at a substation, whether they be circuit equipment, cameras, bank meters and so forth. And then if you look at like five and six, that may be where a repeater has been installed at the customer meter and, of course, the modem inside the homes are specific for broadband powerline service. So you have these common network elements that are shared by everyone and then specific elements off of that network that are for either retail or utility use. And we will show you some pictures of those in a minute.

Here are actually some real pictures of the equipment that we installed last year. In the upper right-hand corner of this diagram you will see an example of an underground installation. And each of the technology vendors has a little bit different form factor. This is probably the lowest profile form factor that you will see out there where it actually fits inside the transformer. Some of the other vendors have a little bit

larger profile and it requires it to be installed in another transformer, but the function is the same.

MR. HAMILTON: Excuse me. I would like to ask you a question, and you've probably answered it, but on the chart we just looked at, I notice on the pole under you've got a neutral line.

MR. GERARDI: Yes, sir.

MR. HAMILTON: Is that necessary? Is this an additional line?

MR. GERARDI: No, sir. What that's intended to show is that the majority of this equipment is actually installed in most public utility spaces. It's above the neutral line. There will be some equipment that extends down into the communcations' space where it actually connects to fiber or some other backbone component. But primary all this equipment, as you'll see in subsequent pictures, this is called in the utility space and that's where it attaches to those wires.

MR. HAMILTON: What is your experience so far in surges, you know, electrical storms, that kind of stuff, where your

computers are at risk, not just your equipment but the computers and stuff?

MR. GERARDI: Well, let's first address the equipment that's on the line. All of the equipment that is installed on the line actually has either fuses or some other type of fail-safe mechanisms built in. So if they do get hit by lightning or have some type of power surge that single point of failure will result in that piece of equipment no longer working, but will not cause an outage. It will be isolated to that piece of equipment. And we can tell by looking at the equipment through the network management system that that equipment is not functioning as a result of that. In terms of the equipment in the customer's home, it's really no different than any other type of equipment that you would install on this cable modem or DSL modem in your house. So there is no higher percentage of surge as a result of this equipment than any other electrical equipment that you put in your house.

MR. HAMILTON: Do you use surge protectors?

MR. GERARDI: Typically we don't like customers to use surge protectors as it related to the specific modem because those tend to attenuate the signal. But there are surge protectors you can buy that will work with the system. And we would provide the customer a list of those, if they would like to have a surge protector. But we typically like the customer to plug it directly into an outlet.

COMMISSIONER CLYBURN: As a follow up to that say the worst happens in terms of some type of house surge or some type of malfunction, somthing abnormal, what is the cause and effect if something goes wrong, any type of damage or replacement costs or whatever to any of the components to the home?

MR. GERARDI: To the home? I'm assuming you're talking about a surge inside the home from a lightning storm?

COMMISSIONER CLYBURN: Yes. I guess I'm more specifically looking at if we go

to page four, five and six, if those would be directly - those pieces of equipment would be directly customer specific, what type of - is there is any type of damage or something that occurs. And if so, what type of costs are we looking at?

MR. GERARDI: It's hard to speculate. You asked if the damage would be isolated to the actual modem, itself, because of the circuitry that's in there. The first connection from the outlet is into that - into those circuit boards, and because of the components, the electronic components on that would actually fail. And then the only other connection out of there is the actual Ethernet or USB connection in the customer's PC.

COMMISSIONER CLYBURN: So the worst-case scererio would be modem damage?

MR. GERARDI: That's what we believe, yes.

COMMISSIONER CLYBURN: And what would be the replacement costs on that?

MR. GERARDI: For a modem to the customer would be free.

COMMISSIONER CLYBURN: Okay. Even if some type - even if that were to occur, if there were damage, you would replace that at no cost to -

MR. GERARDI: We're going to go through our model here in a couple of minutes. And you can see that actually under our model the service provider partner handles that.

COMMISSIONER CLYBURN: Thank you.

MR. GERARDI: You're welcome.

BY MR. GERARDI:

So going back to this side right here in the upper right-hand corner you will see an example of an underground installation. That blue box in the back, that is attached to the back is actually the SMART repeater, a technology that is the electronics. On the front side here, you will see a black coupler that is on the right of the lower elbow there. That is actually an inductive coupler that projects the signal right on to the primary side of that transformer.

On an overhead installation it's almost identical. With this particular vendor they have two couplers. There is actually a NEMAN closure box here on the pole that contains that blue piece of equipment there, that blue box. And on overhead they have a medium-voltage - excuse me, a primary

coupler that's up here on the primary, on the face of the primary, and then a neutral coupler that is down here on the neutral. And then finally for a multi-dwelling unit, such as an apartment building, we may wire in a mobile repeater that will provide additional amplification within that building because of some of the long electricity runs that are there. And for a residential customer we use, today, a meter socket adapter, which is where you can physically remove the meter, plug that meter back on to provide that low-voltage computer at a residential customer's home. And that will be going away with some of the newer technology.

So now that you understand a little bit more about the technology and the components of that, let's find out what's going out there in the industry. Today there is probably more than 50 US utilities that are investigating broadband power lines. Some of those that I'm sure you have heard of include Cinergy, Pennsylvania Power and Light, City of Manassas, all have commercial deployment. I would say if you look at this map over here on the right, which was actually from an FCC report on current broadband programs, they are all at various stages. We have talked to some utilities that are just getting started trying to understand what - how to proceed and others that have actually taken a commercial deployment like those folks listed up there.

When we first started looking at this technology back at then end of 2003 there was a handful of small vendors that provided the actual communications equipment. And what we have seen late last year is some established equipment manufacturers such as Motorola and Mitsubisha Electric who have entered into this market and are now providing equipment to provide powerline communications. That's a great sign for the industry. They see something that is here and it will help to drive down manufacturing costs and will actually help to expedite the standards' process, as well.

One of the things that I'm sure you're aware of is that broadband penetration continues to increase, and a lot of that is driven by some of these drivers that you see up here in on-line gaming, music, telework, which is telecommuting work from home, digital photography, as well. They are all emerging as drivers behind broadband penetration. And that is supposed to continue for the near future.

There is also five organizations that have been formed to develop standards for this industry. And HomePlug is one that's probably been around the longest. That started out as an in-home powerline communications standard body. You can go out to Circuit City, Best Buy and buy a HomePlug modem today and do networking within your home if you would like to do that. And they have started to develop an access BPL which is, you know, bringing the power lines up to the meter which is

really what we're talking about here today. And so we are actually a member of HomePlug and we're on that alliance to help drive that, as well.

OPERA stands for Open PLC European Research Alliance. That's the European version of the standard bodies within the United States. UPA stands for Universal Powerline Alliance. We are also a member of that group, as well. And CEPCA is a Consumer Electronic Powerline Communications Alliance. People like Sony, Mitsubishi, Panasonic are driving that particular specifications body because they want to get to a point where they can put all that communications right within the appliance, itself. So when you plug it into your outlet, they can do audio, video right directly to the power lines, themselves.

And then finally IEEE. All of that groups I just mentioned are really specifications groups. Work comes into a standard body, which is IEEE, and that group has already started, as well, and we are also participating in those proceedings.

So we think that powerline communications and specifically broadband power lines has significant potential to offer new facility-based competition for the broadband services that are provided today.

Let's talk a little bit about the process that Duke is using to realize this opportunity. We are following a

traditional time to market phase gate process, which allows you to have a well-defined phase gate and critera established before proceeding from one phase gate to another. We started this process in earnest back in July of 2003 with what I call the intellectual capital investment. Before we put out any pieces of equipment in the field we put together a cross functional team with subject-matter experts from groups across Duke Power to develop a formal business plan that would really articulate all of the elements required to bring this opportunity to market. Those included, certainly, a technology analysis of the vendors that were out there. It looked at the market. It looked at the regulatory treatment, risk analysis, certainly financial analysis, and put that together in a form of a formal business plan which was presented to our senior team in November of 2003. At that time we recommended that Duke continue that investment and move into the second phase of the process, which was really a field trial. That phase happened last year. And really the purpose behind that phase was primarily a technology trial, but really to validate that business plan and to continue to do risk mitigation and assessment.

We provided a report of the final results in November of last year to the senior team, again with a recommendation to proceed with the investment. They agreed, and we are now in phase three, which is what we're referring to as a pre-

commercialization phase or a market readiness phase. And we'll be talking about some of the elements of all three of those phases here in just a minute. I will add that we do have one more phase gate that is coming up at the end of this phase where we will make a go or no-go decision on commercialization of this opportunity.

Let's talk about some of the key components of that business plan. First, Duke Power's business model, specifically for broadband power lines. What you see here on this slide is a traditional value chain analysis. At the foundation of that value chain is the actual technology vendor, the BPL vendor which provides the equipment. And again, there is a growing list of those vendors out there today. You then need to have a power infrastructure to put that equipment on, and, of course, that is Duke Power for us. You also then need to have a communications infrastructure provider to provide that back haul component, because just having a powerline infrastructure isn't going to get you there. You need to also have a significant communications infrastructure, either wireless or fiber to provide that back haul connectivity.

And finally, you need to have a service provider piece which will actually do the detailed interface to the end user. For us we really want to do those middle two, the middle two pieces there. We want to build, operate and manage the powerline communications network really from the POP or point

of presence to the CPE in the customer home. We do not want to be a retail provider. That is not where our core capabilities lie. Our core capabilities lie in building a managing network. We will partner with third-party service providers to do that end-use provisioning. Those providers will actually provide the first two or three layers of support to those customers. The customer experience is really with that service provider and we provide escalation up to our network operations center for tier three and four support if they are not able to resolve that issue with the customer over the phone remotely. So we will really be a wholesale network provider and we will provide access to multiple service providers through our network in return for access fees to that network.

Really, this model leverages the brand equity of those players already in that space, and for them the value proposition is: number one, we don't compete; and two, we think we can provide a more profitable alternative than what we are giving today. If you look at some of the national ISPs and some of the LECs that are out there today, they have essentially been forced into a bring-your-own-access strategy or are systematically being squeezed out of the market based on PSL line sharing and UNE agreements going away. So this is a great opportunity for them and solves a need that they have to remain to participate in this market.

Our go-to-market model will include some co-marketing and co-branding with the providers. Really, the direct marketing will be done by the service providers, themselves. And from Duke's perspective we really want to create awareness around acknowledging what we are doing with it, in addition to providing broadband service and change the customer's perception of the outlet on the wall. We will also look to position our partners with our customers so that they know these offerings are available to them, as well.

The hallmark of a profitable strategy is really a balance approach between revenue growth and productivity strategy. And ours is no different. When we talk about the retail services that can be provided over this powerline communications network, and those are listed on the left-hand side there, there is also additional opportunity for Duke to provide value-added services in using this technology, really enhancing offerings that we provide today. And we will talk about those in just a minute.

But really, the other side of that equation is all about operational efficiency, leveraging those existing assets to total delivery costs. We really feel that between both of these, we feel that one mitigates risk from the other and they are both equally important. Again, revenue streams will come from access through the PLT network and perhaps from value-added services that Duke can provide to both residential and

CNI customers. The long pull in the pants or really the end gate for us is really using this technology to improve our operations in areas of metering, distribution control and outage management. And if you look at a revenue growth strategy, that's going to be primarily driven by costs to deploy and RLI, and that can be somewhat divergent with what you would want to get out of a productivity strategy, which is where the utility may force you or want you to build out in areas that are more rural because automation benefits will be higher. So in order to centrally manage both of these conversion of strategies we feel that it is best if this business resides within Duke Power to centrally manage both of those.

When we build off this network we will deploy what is called a smart deployment strategy. And there are three main factors that will determine how a powerline communications network will be built out via a smart deployment strategy. They are, first; cost to deploy, second; what we call the continuity of operations, which is that utility benefit piece and finally, propensity to buy, which is where you want to build out to get the prime rates that you are looking to achieve.

If you look at costs to deploy there are three things that drive cost to deploy for this technology. The first is customer per transformer density, the second is proximity to

fiber for that back haul component, and finally whether overhead or underground can also contribute to the costs involved with that, as well.

COMMISSIONER CLYBURN: Could I ask a question, please?

MR. GERARDI: Yes.

COMMISSIONER CLYBURN: When you talk about the cost to deploy, I think I just heard you say the benefits from a Duke Power perspective on a rural end. And I guess the common safety net where we are thus far, or the more popular theory is and makes more sense is you just said something about in terms of the right side of the equation that you, Duke Power, would probably achieve more. And I can understand that in terms of deploying people out in the least populated areas. In terms of cost to deploy, how does that come into play here from your perspective? Because it wouldn't necessarily be in sync with what I would call the retail, you know, your partners' perspective, how you reconcile that. And I don't know if I am

stating - am I connecting with you? Okay, thank you. I appreciate that.

MR. GERARDI: I understand where you are going. Unlike a facilities' based provider that is focusing just on retail services, the fact that we are building on the joint use network that has both productivity and revenue growth strategies, that will allow us to build out in areas that aren't necessarily attracted to the public facilities' based providers because of those tangible benefits that we would get from automation. So the costs to deploy may not be significantly lower than it would be for those other facilities' based providers, but the fact is you will not only get, perhaps, some revenue, but more significantly the operational efficiency gains can justify the build outs in perhaps the more rural areas.

COMMISSIONER CLYBURN: So again, where is - in terms of your priorities, where is that? In terms of deployment, where is that putting you. I mean, will there be a

simultaneous track or would it be 60/40 or -

MR. GERARDI: That's really what we're going to talk about right here.

COMMISSIONER CLYBURN: Okay. I'm done.

BY MR. GERARDI:

So, if you look at - if you look at cost to deploy, again, it's those three things. And what you see here on this chart is a map of the Duke Power service territory here. And by taking the data out of our existing systems, we first looked at customer per transformer density on an average per square mile. And the red dots indicate the highest average customer per transformer density all the way down to the dark blues, which is the lowest. So you can see that those range anywhere from 12 down to one and two.

And as you pointed out on average the highest customer potential per density is going to be in the large metropolitan areas where you are going to have those densities. But that, again, is just one piece. So what you see here is now a blow-up of the Charlotte, Mecklenburg area here. And each of these dots represents a square mile. And I know it may be a little hard to see, but maybe if you look on your paper, each of these dots that these arrows are pointing to are all red dots, which means that they are all very high average per customer

densities within that square mile. But you then take your fiber map and overlay it on top of that, and you'll see that you start to get some more granularity around cost to deploy. Whereas these two arrows on the bottom are relatively very close to existing fiber, this one at the top is a little bit farther away and would actually be more costly to deploy because of the additional fiber that you would have to run to provide connectivity to that area.

You then take and look at your ratio of overhead to underground within those existing areas and you get a pretty good idea of the cost to deploy based on this type of analysis. But, again, the actual cost to deploy is just one component of a smart deployment strategy.

The next is continuity of operations, which is where you're going. And that really would - in order for the utility to get some of the benefits that they would want to get out of this you have to build this out into somewhat of a contiguous area; first by circuit, then by substation and eventually by op zone. I truly believe that the substation will become the central office, analogous to the central office for the BellSouths, the Verizons in terms of that being kind of the head end for BPL. We will build it probably out by substation.

CHAIRMAN MITCHELL: Could I ask a question?

MR. GERARDI: Sure.

CHAIRMAN MITCHELL: When you're talking about your deployment I know you're talking about a metropolitan areas, will it be deployed to South Carolina as equally in South Carolina with the facilities to be readily available to South Carolina customers as well as North Carolina customers at the same time? I guess what I'm asking, I know you're talking about thickly populated areas where deployment - where you already have the fiber, but I guess what I'm asking is will this system be readily available to South Carolina customers, as well as North Carolina customers?

MR. GERARDI: I think the jury is still out on that. I mean, we have to finish our analysis, but by looking at the preliminary data, the answer to that would be yes.

CHAIRMAN MITCHELL: The same type areas in both states?

MR. GERARDI: Yes, sir. There are as many attractive areas in South Carolina as there is in North Carolina.

COMMISSIONER HAMILTON: Are your tests being conducted in North and South Carolina or both?

MR. GERARDI: Today they are just southeast of Charlotte, they are in North Carolina today.

CHAIRMAN MITCHELL: Could I summarize, then, that if fiber optic lines have al ready been laid before, then those areas would probably be more available for this service? I know if fiber is not already there then we could summarize that it's probably going to be awhile?

MR. GERARDI: It really has to do more with the costs. We have fiber that goes out to some real rural areas. And we have fiber that is in, you know, more metropolitan areas, so the fiber is one component, I would say. If you look at - we're going to look at all these components. So if you look at the continuity of operations, again, the utility may drive you to build out in more rural areas because you're going to achieve those automation benefits. So that is an

equal component and a smart deployment strategy for us.

BY MR. GERARDI:

And finally, propensity to buy. Where do the service provider partners want you to target those customers to get those subscription rates that they are looking to get. And we will look at all three of these elements when deciding where to build out and how fast to build out.

COMMISSIONER CLYBURN: And that goes into the propensity to buu. We were talking about that a couple of weeks ago, the take rates. What - I don't know if you have any feel for that. What are you potentially looking at? Because I've never heard a figure above the ten-percent take rate.

MR. GERARDI: I prefer not to discuss that today. But it really will come down to - it really will come down to the effective marketing of the service provider partners or parties for the service and the actual service by performance price offers that we are able to provide. It will come down to the amount of competition within a particular area that we're looking to

provide the services in. There are a bunch of factors that will come into play.

BY MR. GERARDI:

So, looking back at the trial from last year, we partnered with three ISPs for our trial last year, those being AT&t, EarthLink and LecStar Telecom, who is a small competitive local exchange carrier out of Atlanta. And we partnered with them for the delivery of both broadband internet and telephony, voice services providing services to customers within that trial. We also worked with Charlotte-based CPI Security to evaluate new home monitoring systems using the BPL networks. Today CPI systems are voice activated, so if an alarm gets tripped in your house an operator will come over an intercom and say, is everything okay? That requires a phone line. And a growing number of their customer base is moving away from land lines to cellular phones and others. So, in addition to that they would also like to get them to do realtime monitoring with cameras, which would require a high speed internet connection. Some of the older clients do not have those. So this provides them a great opportunity for enabling those systems directly to the electrical lines that are enabled by the online communications system.

We also worked with the City of Charlotte on a variety of projects last year. They came to us with quite a laundry list of things that they would like to test out and try. We

whittled that down to three specific projects for last year, the first being a camera and traffic signal controller at the intersection of our trial area, which we will show you in a second. And we demonstrated the ability to talk to that camera and that traffic control device over the power lines for that, which is a significant opportunity.

We also demonstrated reading a water meter within the existing trial area. They used the same verted technology that we use in our electric meters. And also Piedmont Natural Gas uses the same verted technology in their gas meters. So within this trial area we were able to not only read our electric meters but the water meters for the city and gas meters for Peidmont.

And finally we also provided communications to the fire station that was within the trial area. They wanted to do a remote page back control from their central office and they also wanted to provide connectivity for their fire fighters to do some training online. So we did all three of those projects last years.

Duke Power also spend significant time and resources to evaluate metering, distribution optimization, outage management and asset management capabilities using the deployed network. And we're going to talk about those in just a moment. You may have heard about radiated emissions from these systems, potentially interfering with licensed operators within this two

or three megahertz areas we operated in. We certainly take that concern very seriously. Last year we commissioned the University the North Carolina at Charlotte to conduct a measurement evoking emissions from our system. We worked with both the FCC and the MPIA to develop that test plan. And we did measurements before the equipment was installed, during the installation and after the equipment was up and running and specifically looked for interferance on those licensed frequencies. The report came back from that from the university and gave us a clean bill of health. I think early on in some of the early generations of equipment there were interferance issues. Now what we're seeing with the later technologies, gen two and gen three from these providers, they have done a great job in notching frequencies, adjusting power levels, frequency shifting, to avoid interference with those licensed operators. So that's a good thing, as well.

And finally we created a broadband power line demonstration home last year up in Charlotte, where we showcased commercial and utility applications for both the management team and other folks that were able to come in.

COMMISSIONER CLYBURN: In terms of the ham radio operators and the complaints to the FCC about that, of second and third generation, any updated information on that? Where are they coming from in terms

of this? Are they weighing in the same - in line with this UNC-C stated, also, you know, with that - I don't know if it was an open docket or - I'm not sure in terms of how that was in terms of communications in their open dockets. But do you have any idea where they are with that?

MR. GERARDI: Yes. Last year the FCC did what they called a notice of proposal rule making. We participated in that NPRM. And really what the FCC was advocating was that these systems would fall within the existing FCC part 15 emissions limits for unintentional radiators. And that report and order came out in October of last year. And cited that would have to be part 15 compliant. Also made other specific requirements around a database of where this equipment would be located and other requirements that we will need to comply with. So we will, as we look to expand out deployment and test out new technologies this year, we will be in compiance with that new report and order.

BY MR. GERARDI:

In terms of logistics for the file, our current footprint is approximately 500 residents, and there also are some small businesses within this area. If you look at that diagram there is - this is downtown Charlotte, so it's a little southeast of Charlotte. And really, when we looked at building out a trial area we had six different areas that we were looking at. And we had specific criteria we were looking to achieve. We wanted to have both overhead and underground distribution. We wanted to have single and milti-family dwellings. We wanted to have a good mixture of aging construction. We wanted to have access to an existing substation and access to existing fiber just to keep our costs as low as possible. And when we looked at all the areas that we had we selected this area because it ranked the highest in our standards analysis.

We had approximately 80 customers who had signed up to participate in the trial, and we had utility application equipment installed both in the substation and out of the distribution lines as part of this trial. And the trial is currently free to participants and all we ask is that they give us some feedback on the service. We have created a website which I have provided a link for at the end of this presentation. That was really created specifically for those trial participants. And there is an online server where they will go up and fill out and just give their perspectives on the approvements that we have made.

COMMISSIONER HAMILTON: Are any of those participants in a rural area or were you just saying you had fiber optic lines?

MR. GERARDI: These are all customers within this area we're talking about here.

BY MR. GERARDI:

These are just some quotes from the second survey we conducted -

COMMISSIONER HAMILTON: I didn't understand your answer. You said this area, is that part of the rural area? I mean, are there rural area customers that are subject to your test?

MR. GERARDI: This is a map of the area here. This is Charlotte.

COMMISSIONER HAMILTON: So you - this whole test is being conducted in the Charlotte area; is that true?

MR. GERARDI: Yes, I'm sorry

COMMISSIONER HAMILTON: Okay.

MR. GERARDI: Yes, this is actually where the trial area is relative to downtown Charlotte.

BY MR. GERARDI:

Again, this is some feedback from the customers who participated in the second survey, and again, we learned a lot about the technology last year. One of the purposes of that trial was to really stretch out the technology. So we know that for some of the customers within that trial area, they were not getting optimal service, the service that we had started to provide, where they were more than five or six transformers away from an injection point and were getting less than optimal service. Others were getting fantastic service, but I think we received over 80 percent satisfied rating from the customers in that trial, and they have been giving us tremendous feedback in allowing us to come into their homes and testing any existing issues within that home. last year. So it's been a very good experience. Thos picutres there it's an example, the modem that we used last year, again that's a size that is placed right into the customer's home.

So we talked a lot about those services listed here on the upper hand part of the slide, which are certainly great applications for customers. But we see a great opportunity for a bunch of other applications listed here on the bottom to include customer satisfaction and really improve the value that they provide for those type of customers. Some of the examples of those include enhanced metering services. Today we have customers that are - that manage large facilities and have multiple tenents in those facilities. We provide sub-metering

capabilities for that where you will have, you know, a 100-square-foot pizza shop and next door you will have a clothing store. And the 100-square-foot pizza shop will use a lot more power than the clothing store next door, but they do it by square footage. So that is not really an equitable distribution of costs. This technology allows us to do sob-metering types of applications that are a lot more cost effective than we've been able to do it in the past, so we'll be able to do a lot more of those applications to those customers.

In terms of monitoring and control, one of the things that we're looking at there is in the manufacturing facilities and in other facilities where you can use these communications directly through the power lines to control devices that you don't have other communications equipment to do that. Security and lighting is another great example of enhancing what today are traditional dusk-to-dawn type of operations. We can now install cameras wherever there's power and put smart photo cell technology on there and technology that allow us to control when those lights on or off, schedule those, also detect when those lights have failed so we can have a day burner or you can have one that's out. You can repair that much more quickly. So those are all things that we foresee happening.

That black screen that you see there is actually a picture of a tool that we used to monitor BPL equipment in the

substation, the Alpine Creek substation which is in the trial area. But that same application can be used in a manufacturing setting for a large commercial customer to a power company for load management.

And finally, this thermostat that you see over here is something that we are testing that we can talk to remotely again through powerline communications. Today we have varied customer-intrusive local call systems. They are very binary, they are on or they are off. These new systems allow us to adjust the temperature by several degrees, and then on an aggregate basis you get the same effect, much more customer friendly, much less customer intrusive.

So those are some examples on where we see providing additional services for those commercial and residential customers.

But clearly, then, again, what's of real value to us and what we're excited about is the utility applications. Last year we needed to look at all of these applications and tested these out. We broke them down to three categories, metering, distribution optimization and outage management. We are going to focus on metering and distribution optimization because those are what we spent the most time working on last year. But we did all of these things including reading existing mobile meter reading, enabling devices. We have talked to C&I meters. Every meter that is out there now becomes a load

research meter. So that's a great opportunity for profiling and planning. We're able to do remote connect/disconnect and have price signals for certain customers. We will also be able to do on-demand reads for move in/move out, so no longer do we have to send someone out there to physically read the meter or schedule that. So that is a convenience to the utility, and we can do that for the customer now.

One the distribution optimization side, again, we talked a bunch about inside the substation and outside, whether that was circuit controlling or bank meters at the substation or it was capacitor banks, reclosers or other end-of-circuit voltage type of equipment out on the distribution line.

Let me show you some good examples of what we did last year at this time after the trial started. What this slide is intended to show you is it is really a continuum or spectrum of benefits based on the incremental capital investment by the utility. At the far left you will see that the utility will get benefits from just putting the communications equipment out on the infrastructure in terms of outage management. By having this network management system and all these smart nodes out there, we can feed that back into our output outage equipment which and corrolate our analysis with other data that we receive to pinpoint outages much quicker. But the real benefit on the restoration piece is where we can now tell when customers come back up much more quickly. So instead of

driving by to see whether the porch light is on, we will get automatic feedback saying that the system is back up and running at that customer site. And as you make additional investments in components that integrate on that network, and these are just some examples of those, you will get increasingly more and more benefit from that network.

So finally if the far right hand of the spectrum is where you are, realtime management and monitoring of the distribution network are things for management at that VAR end.

Let me show you some examples of what we did last year. Number one is where we worked with the manufacture of the equipment that drives around in the van, our mobile meter reading program that has transceivers. We took that transceiver technology and put it up on the pole and essentially created the hybrid AMR, automatic meter reading solution. From that one device that you see hanging off of that light pole, we were able to read several hundred electric meters from that one location. So some of the work that we're doing this year is essentually triangulating where those devices need to be with the repeater to get complete comprehensive coverage of that particular area. What that allows you to do is do on-demand reads. It will also really help in terms of traffic. One of the things that, although we automated our meter readings with this whole meter-reading technology it still only gets read once a month. And folks

become pretty savvy about when that meter, or when that van comes by. This will allow us to read that meter every five minutes or every five seconds if we want the profile to understand if there is an issue with that, as well.

The next example, number two is an example of what we call an exception route or demand meter. The commercial customers did not participate in our mobile meter reading program, that's primarily residential. These meters are still read by a meter technician who comes up and physically programs that meter once a month. What we did there was, as we can see on the left-hand side is the existing meter, we've installed an IP or an NF protocol based meter on the right-hand side and we've installed a powerline communications modem in this little box and provided connectivity to the IP-based meter.

What that allows us to do is to remove that manual read. There is a story on this one. I had some of the folks who worked for me out in the field one day. We had installed this meter about three weeks prior to that. And the folks in the energy center were reading the meter and called up one of my guys and said, Bill, the meters that were installed three weeks ago aren't working, we are not seeing any current through it. You need to go over and check it out. He said sure and he went over there. Well, this actual meter is installed at the BellSouth central office across from our apartment complex where we have our demonstration homes. And they have an on-

site generator. And they were doing their monthly checks of their generators and the meter was doing exactly what it was supposed to be doing. As soon as the generator went off the current was back to the meter and everything was fine. So you see the real time data that you get from these types of systems.

Number three is an example of an existing piece of utility equipment that we have out there in the field today. This is a switch capacitor bank installed module. And again, today if you want to come up and read the information off of this device or reprogram it, you have to plug into this little serial connector on the front. And all we've done is we've taken a PLC modem and in this case it was a serial converter because it's a serial device. We put that in the door of that and we can now read that device remotely.

And finally we increased the security at our substations. One of the ways we are doing that is to employ some security cameras and we have installed two test cameras at the substation, all through the power lines. There is an additional four cameras that were installed by the automation team that is automating that substation. And those cameras are focused specifically on a piece of equipment to read gauges, to monitor temperatures, so that will eliminate having to drive out to the substation under certain conditions. So there is a lot of use for cameras at substations aside from security of

making sure that when you actually throw a switch that you can physically see what the switch is doing, as well.

COMMISSIONER HAMILTON: I believe the application has proven to be cost effective?

MR. GERARDI: Right. We did a pretty thorough analysis last year in quantifying these benefits. And the way you have to quantify these benefits is you first have to start off with what is my current cost of operation. What does it cost me to do this? So once we know that, we then looked at what are the incremental costs to put these applications onto this network? And then what would be the net benefit of that. So you will see that some applications are marginal, some are very attractive. So you would actually have to look at these on a case-by-case basis and make that justification for doing these applications. But in an aggregate there is significant opportunity there for us.

COMMISSIONER HAMILTON: Seems too it would be very positive to service.

MR. GERARDI: Yes, sir.

MS. CLYBURN: In terms of some of the - you talk about the benefits to the companies, and I guess I'm wondering in terms of, from a customer benefit side, would the customer some time in the future, is there a - would the customer some time in the future be able to look at his or her usage pattern and possibly - would they be able to monitor their own usage pattern with this, meaning would that information be applicable via the internet or something and you could make a decision about what plan, you know, you have different plans that I think most of us have investigated. You know, would that be something that that customer would have access to and possibly choose a plan that is best for them for the usage categories? Do you anticipate it being interactive, I guess you could say?

MR. GERARDI: Yes. Certainly this technology allows for more time-of-use analysis. And one of the things we do today is we can analyze an algorithm for a customer where their power consumption is. But what this allows us to do, especially

once you start to see some of these appliances having some smart electronics on them, we're evaluating one system that we hooked up to an HVAC system that will allow us to tell a customer when there is a fault or failure on that system or when they need to replace their filter if there is a plug overflow valve so that they don't have water damage. But that will also allow us to read the consumption on that particular appliance. So today where we do that through algorithms, as this proliferates we will be able to do that directly from information from the devices within the customer's home and present that either on their bill directly to them or online through our website.

BY MR. GERARDI:

Let's talk about what we're doing in 2005. As I mentioned the current phase that we're in is in the pre-commercialization phase, and it's really about testing out market readiness of expanded services. We are going to pursue both revenue growth and connectivity strategies as well as implement our business structure we have selected and go-to-market and business models that we've identified.

But unlike the first two phases the end of this phase is not going to be marked by the delivery of a document. In the first phase it was the business plan. In the second phase it was a report. The end of this phase will really be marked by our ability or our inability to meet our key objectives. Some of those include agreements on wholesale access fees and service level agreements with our service provider partners. We have new partners that we are establishing relationships with in addition to the ones that I mentioned from last year. And we need to get that on paper in the form of a commercial agreement. We also will be expanding our current home footprint to about 10,000 homes really to test ability to scale and propensity to buy on those take rates we talked about. And we will also be building off the work that we did last year on the facility applications side. In all those areas, metering and distribution optimization and outage management but really focusing on integration in the back office. In the last year we put an IP meter out there and the guys on the third floor were excited because they could read it and reprogram it. We are now looking to integrate that back into the building. So not only are you going to read that meter but you're billing the customer off that meter. That's really where we start to get the benefits is when we do that.

CHAIRMAN MITCHELL: When you conduct your tests, so to speak, and as far as

small business and larger businesses, do you have any numbers as far as any small businesses you may be testing versus the larger businesses and how that might relate to them, as well? I've heard you mention several times large lines, but is small business a part of this, also?

MR. GERARDI: It sure is. It sure is. And again, that goes from the mom-and-pop three to four person operation, which we have a couple in our current trial area that we are providing to maybe a satellite office for a larger firm or a standalone much larger business. So we have - you know, one of the things that is important with our model in terms of an open access type of model is we not only have the right partners but the right amount of partners. So we look to partner with folks that are primarily focused on residential customers, folks that are centered primarily on commercial customers, some that are focused only on high-speed internet, others that are on telephony and others that are on security. And there are others, video.

And so we want to have the right amount of partners and the right partners. So we think that by having that mix, including small players and big players, that will put some price pressure within that mix, and at the end of the day that will benefit Duke Power customers by having a broad portfolio of offering and competitive pricing.

BY MR. GERARDI:

So, in addition to those primary objectives, we will be evaluating additional equipment vendors. We have three more vendors that we are evaluationg currently, because clearly on a broad scale deployment you will have more than one vendor that you will use to establish a relationship with. We will continue to work with the City of Charlotte on a variety of projects. We're going to continue to help drive BPL standards through our involvement in HomePlug UPA and IEEE groups. We're looking to get more finalizing on the smart deployment schedule and we're going to look to pilot some of those large business and residential/small business services that we talked about earlier later this year.

So, in summary, Duke Power's powerline communications strategy will be focused on both revenue growth and productivity strategies. And as a result of that the network

that we build out will be a joint use network providing both utility and retail end use. The business will reside within Duke Power as un unregulated entity. We will act as a wholesale network provider and we will parnter with multiple service providers who provide voice, data, video, security and other services to Duke Power customers. We're going to implement a smart employment strategy, so rather than build it it will come through a land grand type of approach that you may have seen in the past. We're going to be smart about where we build out, and our go-to-market model will have both co-marketing and co-branding, a partner channel strategy and we hope that Duke Power will be able to deliver new value-added services to customers with this new technology.

And on this slide I have added some additional information you may choose to go up and view. There are quite a few organizations that are up there, some of the standard's websites, some websites of some commercial deployments, vendors and BPL task force slides there, as well. And finally, this is the website that I mentioned earlier for out trial participants. That site will be going away later this year. We will wrap up that trial, but if you would like to get a trial participant, feel free to go up there. And there may be some additional information you may find.

So with that, thank you for your time.

MR. WHITT: Mr. Chairman and other Commissioners, we wanted to thank Joseph Melchers, Charlie Terreni and the rest of your staff by helping us set this up today. And we apprciated you attending on a Monday morning. And Commissioner Clyburn, I'm sure you understood earlier on the question about the take rate that this is an open forum, so there would be some questions, but fortunately that was the only one today that we had that response to. But we appreciate the opportunity to be here very much. Thank you.

CHAIRMAN MITCHELL: I would like to say on behalf of the Commission we certainly appreciate your participation in allowing us to keep up with the new technology. Certainly it was very, very well presented. And I think it will help us in the future. And certainly we're glad to have Ms. Hammond with us from the Office of Regulatory Staff. And we look forward to many more of these in the future. Thank you very much. At this time we will close the presentation.

[*WHEREUPON, at approximately* 11:17 A.M., *the Presentation was adjourned.*]

Sara L. Quattlebaum, Court Reporter
148 Lake Harbor Drive
Lexington, SC 29072
803.808.0394

STATE OF SOUTH CAROLINA)
) CERTIFICATE
COUNTY OF RICHLAND)

BE IT KNOWN THAT I TOOK THE FOREGOING PRESENTATION REGARDING THE AFOREMENTIONED CASE;

THAT I WAS THEN AND THERE A NOTARY PUBLIC IN AND FOR THE STATE OF SOUTH CAROLINA-AT-LARGE;

THE FOREGOING TRANSCRIPT OF 51 TYPEWRITTEN PAGES REPRESENTS A TRUE, ACCURATE AND COMPLETE TRANSCRIPTION OF THE TESTIMONY SO GIVEN AT THE TIME AND PLACE AFORESAID TO THE BEST OF MY SKILL AND ABILITY;

THAT I AM NOT RELATED TO NOR AN EMPLOYEE OF ANY OF THE PARTIES HERETO, NOR A RELATIVE OR EMPLOYEE OF ANY ATTORNEY OR COUNSEL EMPLOYED BY THE PARTIES HERETO, NOR INTERESTED IN THE OUTCOME OF THIS ACTION.

WITNESS MY HAND AND SEAL THIS 21st DAY OF JUNE, 2005.

SARA L. QUATTLEBAUM
NOTARY PUBLIC FOR SOUTH CAROLINA
MY COMMISSION EXPIRES JULY 12, 2012

Duke Power®

Broadband over Power Lines

Bob Gerardi

Powerline Communications Program Manager

June 20, 2005

Commission Briefing

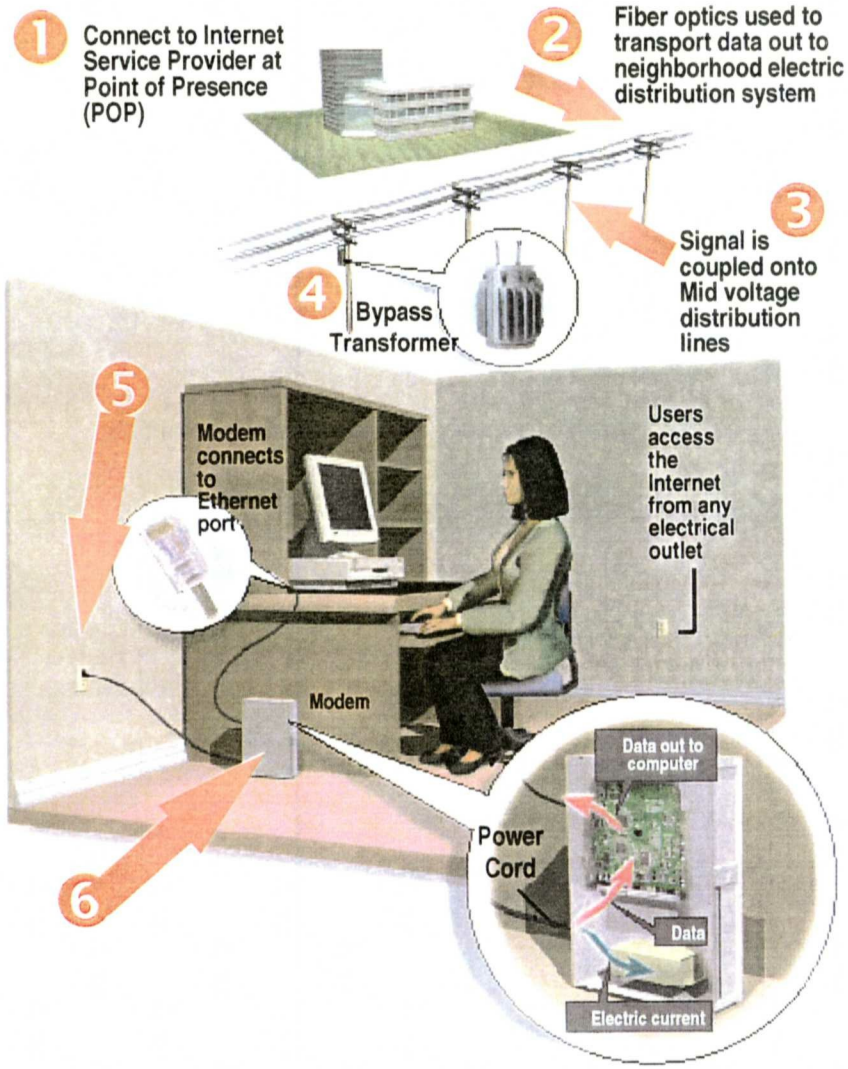
Columbia, SC

Topics

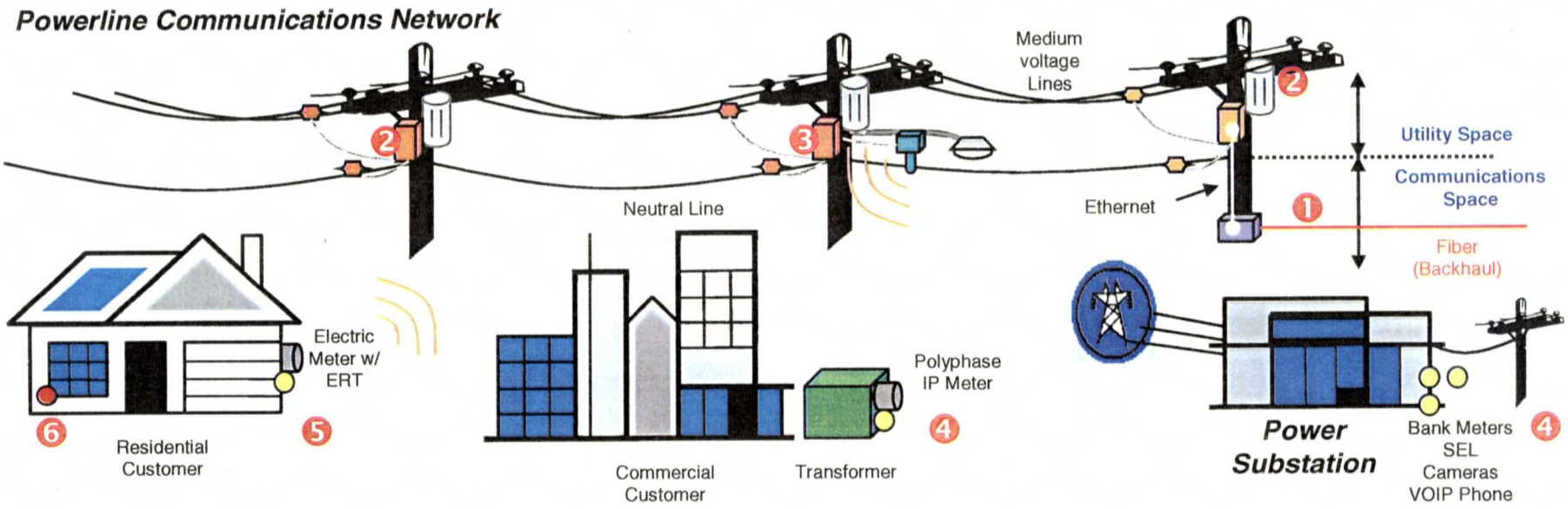
- BPL Primer
- Industry Snapshot
- Phase Gate Process
- Key Elements of PLC Strategy
- 2004 - Year in Review
- 2005 Plan

Duke Power's BPL Service

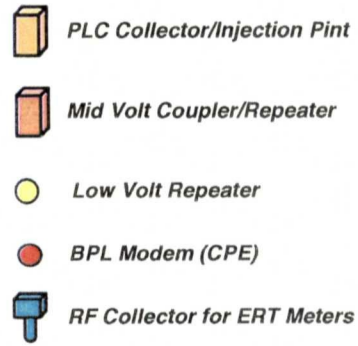
- Interconnection with service provider partners at existing DukeNet facilities
- Use fiber optic network to transport out to neighborhood (FTTN)
- Coupler injects signal onto medium voltage distribution system. Signal is repeated as necessary
- At customer premise, transformer is bypassed and signal is injected on low voltage line
- Customer receives signal through outlets in home
- Special modem extracts signal and communicates via Ethernet to computer



Joint-use PLC Network



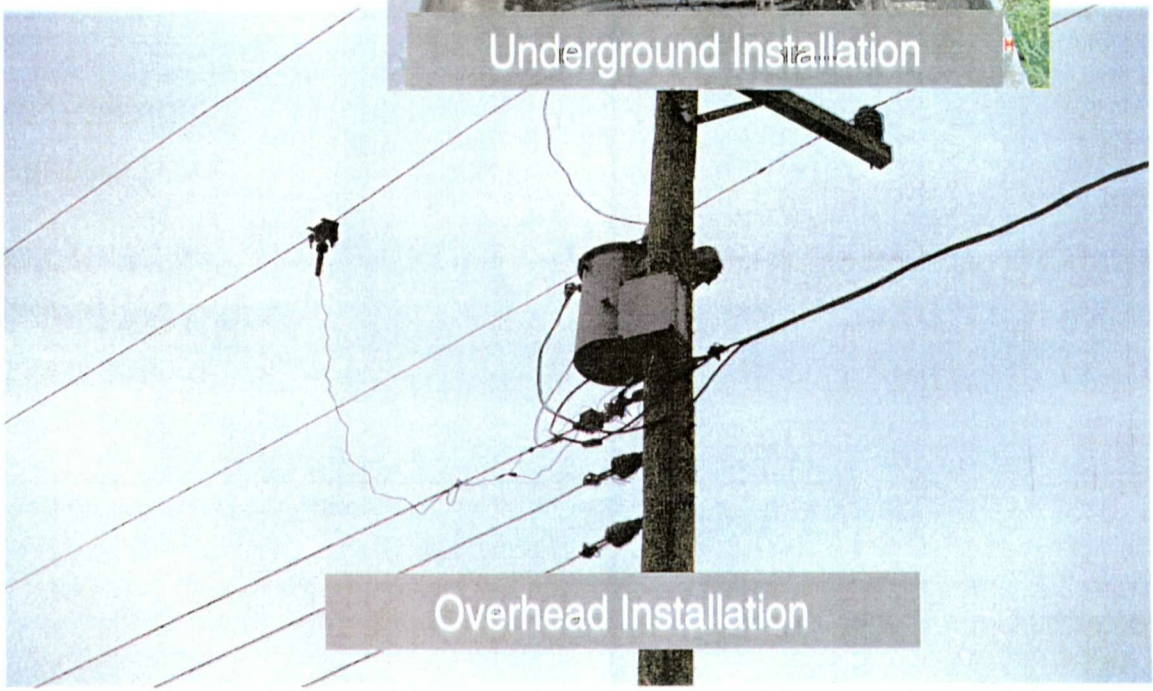
	PLC Network Components	Use	Comments
1	Backhaul component of PLC network	Joint	Provides connection back to POP (IP drain)
2	MV Collectors/Repeaters for PLC backbone	Joint	Transformers serving BPL customers would have repeaters with bypass coupler to transfer signal to LV line
3	MV repeaters w/ utility devices attached to Ethernet port	Utility	Example is MMR collector device to read ERT meters
4	LV repeater dedicated to utility application	Utility	Examples include IP meters, substation cameras, etc.
5	LV repeater at residential meter for BPL	BPL	Required at some residences to amplify signal into home
6	BPL Customer Premise Equipment (CPE)	BPL	Cost borne by service provider



PLC Equipment Installation

Low Voltage Repeater Installation

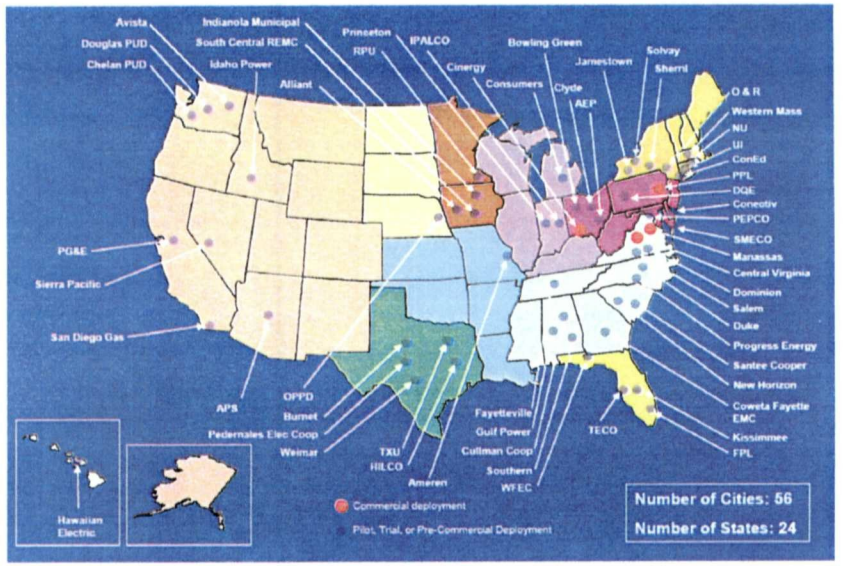
Underground Installation



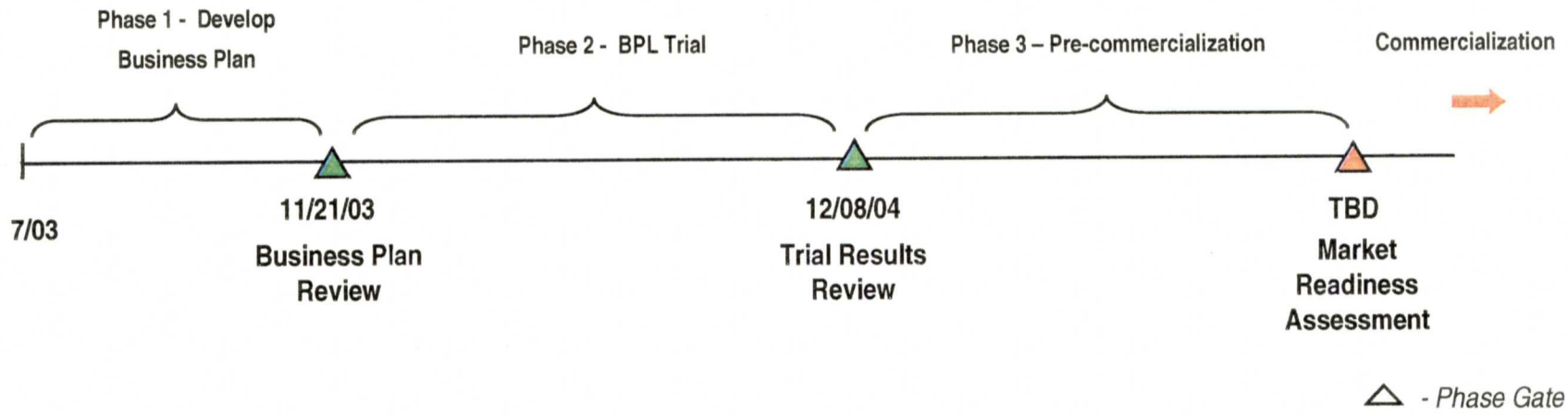
Overhead Installation

Industry Snapshot

- Currently more than **50** U.S. utilities are investigating BPL. Cinergy, PPL and the City of Manassas have commercial deployments.
- Established equipment manufacturers have entered the market (i.e. Motorola, Mitsubishi Electric).
- On-line gaming, music, telework and digital photography emerging as significant drivers for broadband penetration.
- Five organizations are working on BPL standards (HomePlug, IEEE, OPERA, UPA, CEPCA)
- BPL technology has a significant potential to offer new facility-based competition for broadband services.

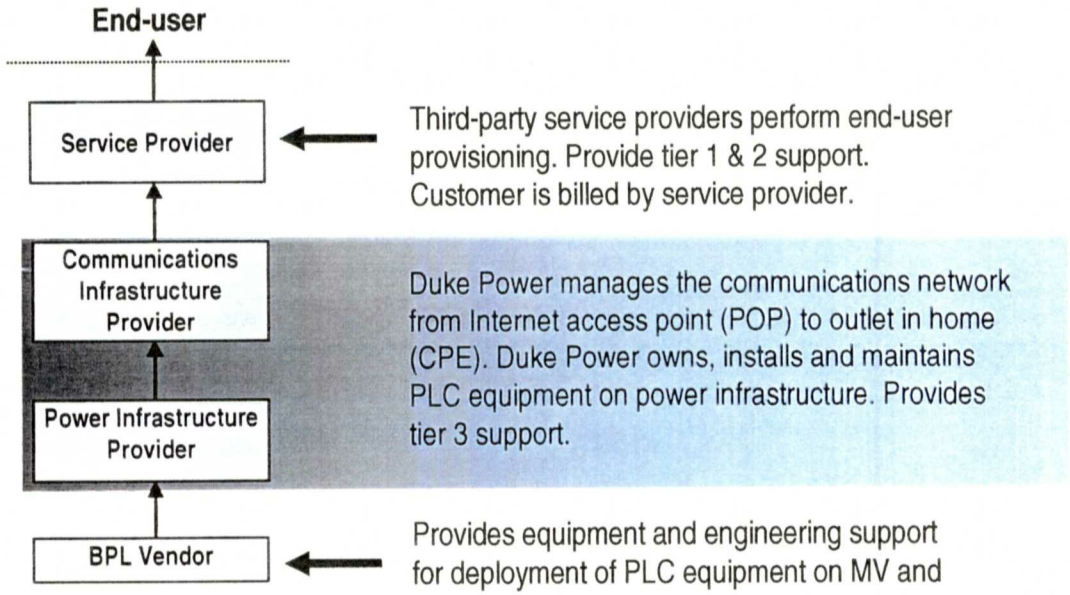


Phase Gate Process



- Formal business plan presented in November 2003
- Successfully completed Phase 2 on 12/8/04
- Currently in Phase 3 – pre-commercialization phase (2005)

Duke Power's Business Model



- Duke Power would act as a wholesale network provider, providing access to its network to multiple service providers in return for access fees (fixed and variable).
- Model leverages the brand equity and core capabilities of incumbent service providers in areas such as end-user provisioning, back-office systems, customer support and billing.
- Service Provider value proposition is a more profitable alternative to traditional wire line cost structures (non-competing)
- Go-to-market model includes co-marketing/branding and partner channel strategy

Powerline Communications Strategy

Creating a Profitable Venture

Revenue Growth Strategy

Understand customers' needs and differentiate accordingly

- Broadband Internet
- Telephony Services
- Video
- Security
- Duke Power VAS

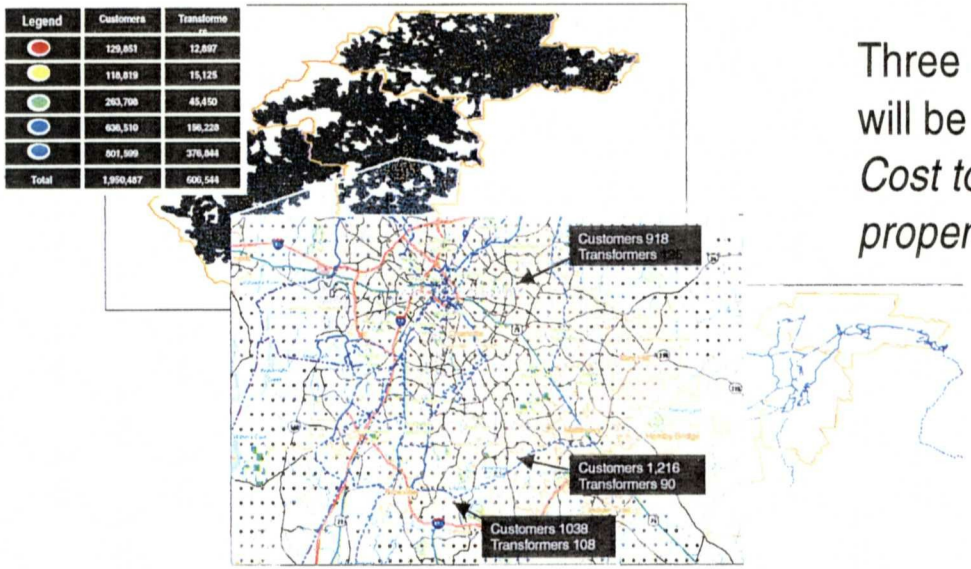
Productivity Strategy

Maximize the use of existing assets; reduce total delivered cost

- Diagnostic Monitoring
- Operations Improvement
- System Protection
- Customer Interface
- Load and Distributed Generation management
- Distribution Automation

- Pursuing both revenue growth and productivity strategies (one mitigates risk from the other)
- Revenue streams from wholesale access fees to PLC network and Duke value-added services (retail)
- Improved operations from automation in metering, distribution control and outage management
- Business will reside within Duke Power to centrally manage both strategies

Smart Deployment Strategy



Three main factors determine how a PLC network will be built out via a Smart deployment strategy: *Cost to deploy*, *continuity of operations* and *propensity to buy*.

Cost to Deploy: Target the most profitable areas to build initially, postpone development in other regions until later, or potentially never. Anticipated economic improvement of the technology over the next few years is expected to make less-profitable portions of the market more viable over time. Main drivers behind deployment cost: *customer/transformer density, proximity to fiber and the mixture of underground and overhead distribution.*

Continuity of Operations – The PLC network will need to be built out in a contiguous cellular manner so that sufficient circuit, substation and eventually operating zone coverage is comprehended to enable the benefits from utility applications integrated into the PLC network. Also, this may drive network deployment in more rural areas to achieve automation benefits.

Propensity to Buy – Service provider partners will want to target customers they believe will provide sufficient subscription rates that will provide them the ROI from access fees to the network.

BPL Trial

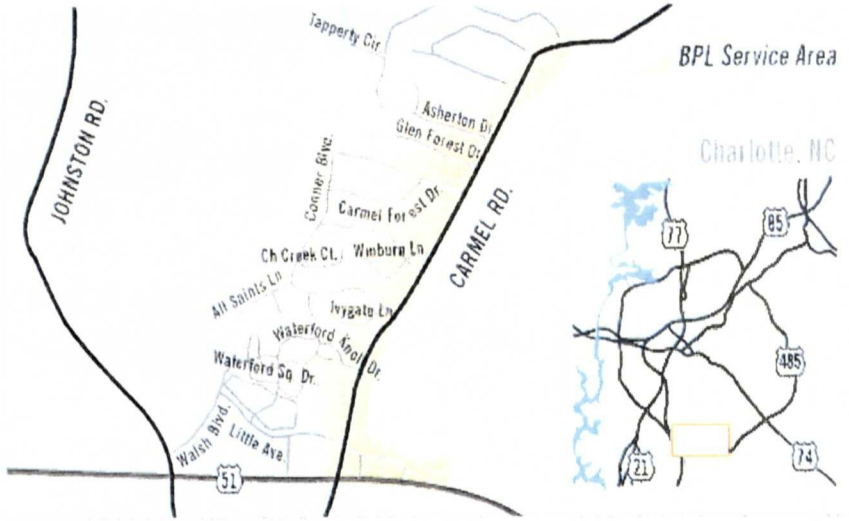
2004 Activities

- Partnered with **AT&T, EarthLink** and **LecStar Telecom** for the delivery of broadband Internet and telephony services.
- Worked with **CPI Security** on the evaluation of new home monitoring systems using BPL network.
- Worked with the **City of Charlotte** on a variety of projects including camera and traffic signal control, water meter reading and communications with fire stations.
- Duke Power evaluated metering, distribution optimization, outage management and asset management capabilities using the deployed network.
- UNC-C conducted measurements of radiated emissions to understand any interference issues.
- Created a BPL demonstration home for showcasing commercial and utility applications.

BPL Trial

Logistics

- Currently covering approximately 500 residences with some small-to-medium size businesses.
- To date, approximately 80 customers have signed up to participate in the trial.
- Mixture of overhead and underground distribution; single and multi-family dwellings.



- Utility application equipment is installed on the distribution network and at McAlpine substation.
- The trial is currently free to participants in exchange for feedback on service

Customer Experience

Customer Quotes:

"We absolutely love BPL, especially the fact that you can virtually plug it into any room and gain access to the Internet."

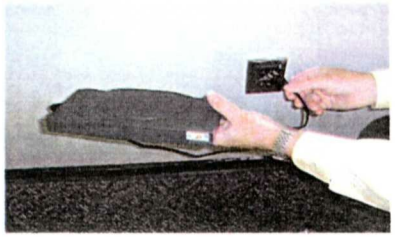
"I'm amazed...had no clue it was capable."

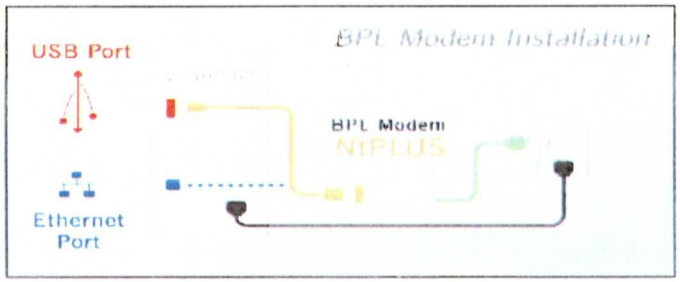
"I will strongly consider purchasing this if and only if: the speed is comparable or at least close to DSL, the price is lower than $30 per month, and it proves to be a stable connection."

"We hope that Duke decides to continue this service (BPL)."

"Love it. Speed it up"

"Overall, I have been pleased with the BPL technology; I have had a few problems, and my only complaint is that I found the service line almost impossible to use - I was on hold for long periods of time and finally just gave up."

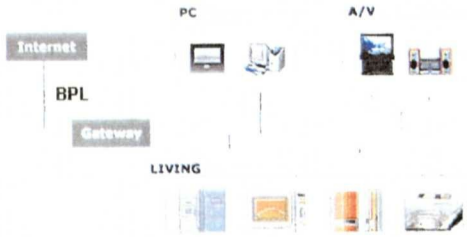




Innovation for the Customer

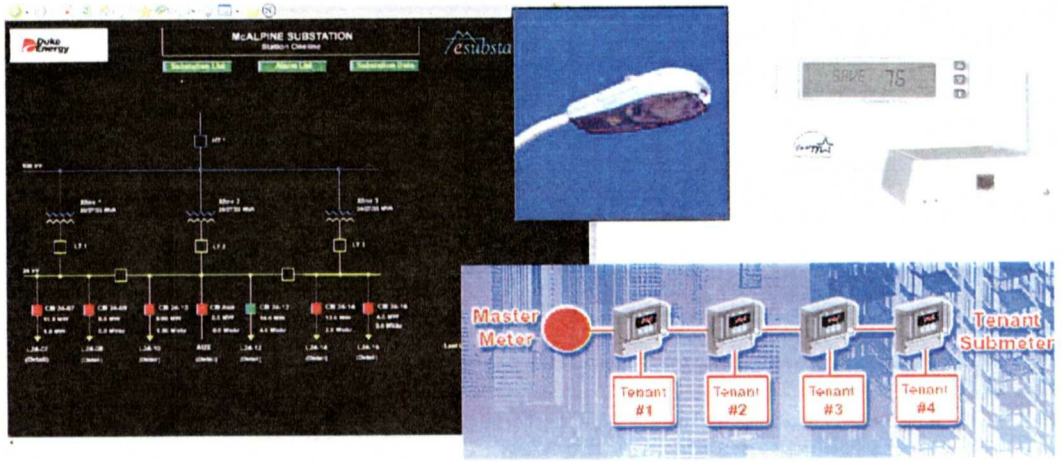
Residential/Small Business Applications

- Broadband Internet services
- Voice over Internet Protocol (VOIP)
- Video Conferencing
- Streaming Video
- IP Cameras
- Security Systems
- Smart Appliances



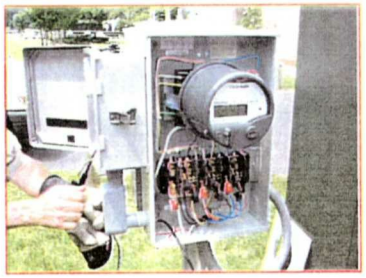
Commercial Applications

- Enhanced Metering Services
- Monitoring and Control
- Safety, Security and Lighting
- Power Quality / Load Management



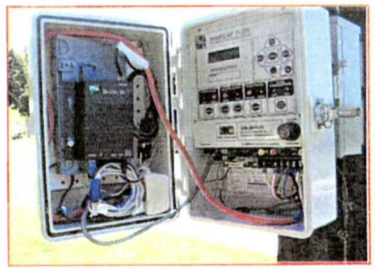
Utility Applications

Metering



- Read existing Mobile Meter Read (MMR) meters
- C&I meters
- Load Research
- Price Signals
- Pre-paid metering
- Service Disconnect
- On-demand Reads
- Outage restoration
- Gas & Water readings

Distribution Optimization



- Circuit Controller's
- Bank Meters
- Substation Equipment
- Distribution equipment
  - Capacitors
  - Reclosers
  - End-of-circuit Voltage
- Outage Detection
- Fault Location

Utility Benefits

Progression of CAPEX and Utility Applications

BPL network equipment

- Outage management on medium voltage lines

RF signal collector/injectors at transformers

- Automatic, remote reading of MMR-equipped meters
- Read-in/read-out for customer turnover
- Residential load research
- Outage management for low voltage lines (residential)
- Real-time detection of some residential meter tampering instances
- Mobile Workforce Management

Data transmission capability at "Exception Route" meters

- Automatic, remote reading of demand and time-of-use meters
- Outage management for low voltage lines (non-residential)
- Real-time detection of some non-residential meter tampering instances

Security

- Cameras at substations, etc.

Installation of addressable relay at meters

- Remote disconnect/ reconnect (non-pay, move-out)

Lighting

- Remote detection/notification of failed units

Distribution optimization

- Voltage management
- VAR management
- New demand response programs
- Eliminate costs of telephone lines at substations

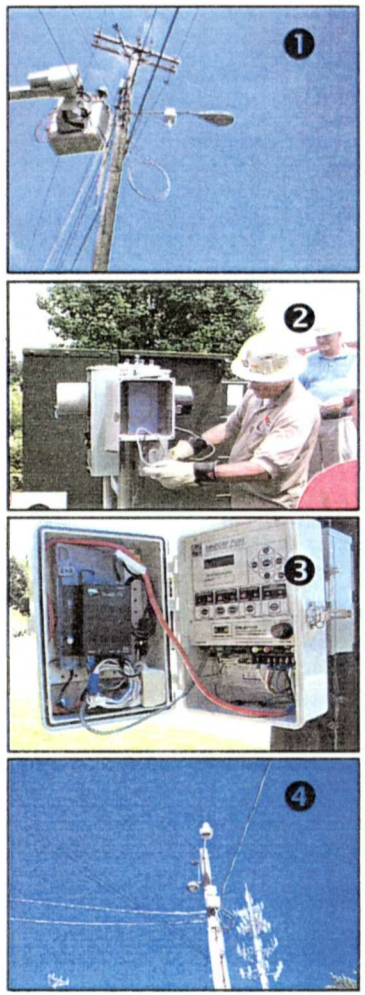
Utility Applications Examples

❶ ITRON ERT meter collector
- Enables hybrid AMR solution leveraging existing MMR infrastructure
- Enables electric, gas and water meter reads

❷ Form 9 Polyphase transformer rated IP meter
- Replacement for exception route meter
- Enables remote reading and programming

❸ Switched capacitor bank control model
- Existing utility equipment
- Enables remote reading and programming

❹ Security camera at substation
- New utility application
- Remote monitoring of facilities



2005 Operational Plan

The current phase is a pre-commercialization phase:

- The intent of Phase 3 is a market readiness assessment of expanded services.
- Revenue growth and productivity strategies will be implemented using the selected business structure, go-to-market and business models.
- Unlike the first two phases, the end of this phase is not marked by the delivery of a document, but rather our ability to successfully meet the following key objectives:
  - Agreement on wholesale access fees and Service Level Agreements (SLA) with service providers, resulting in commercial agreements.
  - Expansion of existing 500 home trial to 10,000 home market trial with paying customers to test take rates and scalability of network.
  - Expansion of utility applications in areas of metering, distribution optimization and outage management and integration with back office systems. Realization of utility benefits.

2005 Operational Plan

In addition to the primary objectives, we intend to:

- Perform evaluation of additional BPL equipment vendors
- Continue work with City of Charlotte on various projects
- Help drive BPL standards through involvement in HomePlug, UPA and IEEE groups
- Finalize smart deployment schedule
- Pilot large business and residential/small business value-added services

Summary

Duke's Powerline Communications Strategy:

- Pursue both revenue growth and productivity strategies
  - PLC network will be a joint-use network (utility/retail)
- Business will reside within Duke Power as an unregulated entity
- Duke Power will act as a wholesale network provider
- Partner with multiple service provider partners (voice/data/video/security)
- Implement a smart deployment strategy driven by *cost-to-deploy*, *continuity of operations* and *propensity to buy*
- Go-to-market model includes co-marketing/branding and partner channel strategy
- Deliver new Duke Power value-added services enabled by technology

Additional Information

Industry Organizations
United Power Line Council: http://www.uplc.utc.org/
Power Line Communications Association: http://www.plca.net/

Standard Groups
Universal Powerline Association: http://www.upaplc.org/
HomePlug: http://www.homeplug.org/en/index.asp
IEEE: http://grouper.ieee.org/groups/bpl/index.html

Deployments
City of Manassas: http://www.zplug.com
PPL: http://www.pplbroadband.com
Cinergy: http://www.current.net

BPL Trials
EarthLink/Con Edison trial in NYC: http://www.earthlinkconed.net
CenterPoint Energy BPL trial site: http://www.cnp-powerconnect.com/whatisbpl.html

Vendors
Mitsubishi Electric: http://global.mitsubishielectric.com/bu/plc/index.html
Main.net: http://www.mainnet-plc.com/
Amperion: http://www.amperion.com/
Ambient: http://www.ambientcorp.com/
Current Technologies: http://www.currenttechnologies.com/

NARUC BPL Task Force
http://www.naruc.org/associations/1773/files/bplreport_0205.pdf

For more information, visit ***www.dukepower.com/bpl***